

Message Text

CONFIDENTIAL

PAGE 01 BRUSSE 19275 231717Z
ACTION STR-05

INFO OCT-01 EUR-12 EA-10 IO-13 ISO-00 STRE-00 GSA-02
NEA-10 IGA-02 DOEE-00 AF-10 SSO-00 INRE-00 NSCE-00
USIE-00 AGRE-00 CEA-01 CIAE-00 COME-00 DODE-00
EB-08 FRB-03 H-01 INR-07 INT-05 L-03 LAB-04
NSAE-00 PA-01 CTME-00 AID-05 SS-15 ITC-01 TRSE-00
PRS-01 SP-02 SOE-01 OMB-01 DOE-12 /136 W
-----004393 231727Z /44

O 231712Z DEC 77
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC IMMEDIATE 3983
INFO ALL EC CAPITALS
USMISSION GENEVA
AMEMBASSY TOKYO
AMEMBASSY MADRID
AMEMBASSY STOCKHOLM
AMEMBASSY VIENNA
AMEMBASSY BERN

C O N F I D E N T I A L BRUSSELS 19275

USEEC

PASS ELECTRONICALLY TO STR; GENEVA FOR MISSION AND MTN
DEL; PARIS ALSO FOR USOECD

E.O. 11652: GDS
TAGS: ETRD, EEC
SUBJECT: EC ACTION ON STEEL: PRICE ALIGNMENT

REF: BRUSSELS 19215

1. AS REPORTED IN REFTEL PARA 4, THE IMPLICATIONS OF
COMMUNITY ACTION ON PRICE ALIGNMENT ARE UNCLEAR. COM-
MISSION SOURCES CONFIRM TO US THAT AT THE PRESENT TIME,
I.E. UNTIL DECEMBER 31, 1977, COMMUNITY PRODUCERS DO
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 BRUSSE 19275 231717Z

NOT HAVE THE POSSIBILITY LEGALLY TO REDUCE THEIR PRICES
TO THE LEVEL OF PRICES OFFERED BY EXPORTERS SHOULD THOSE
PRICES BE BELOW EC GUIDANCE AND MINIMUM PRICES. MORE-
OVER, THE COUNCIL DECIDED "IN PRINCIPLE" TO PROHIBIT
ALIGNMENT AFTER APRIL 1, 1978 WITH RESPECT TO EXPORTERS
WHO HAD AGREED ON A PRICE FEATURE WITH THE EC.

2. COMMISSION OFFICIALS CONFIRM THAT THIS OPENS UP THE POSSIBILITY OF PRICE ALIGNMENT BETWEEN JANUARY 1, 1978 AND MARCH 31, 1978. ACTING UNDER ARTICLE 60 OF THE TREATY OF PARIS, THE COMMISSION WILL ALLOW COMMUNITY PRODUCERS TO ALIGN PRICES DOWN TO THE LEVEL OF THE BASE PRICE TO BE DETERMINED IN THE NEXT FEW DAYS AND USING COSTS IN THE MOST EFFICIENT FOREIGN PRODUCER. COMMISSION OFFICIALS NOTE THAT THIS POSSIBILITY MAY HAVE LITTLE PRACTICAL EFFECT BECAUSE OF THE SHORT PERIOD OF TIME INVOLVED. DURING THIS PERIOD FOREIGN EXPORTERS WILL EITHER BE MEETING THE BASE PRICE ESTABLISHED BY THE COMMISSION, RELATED TO THE MOST EFFICIENT FOREIGN PRODUCER, OR EXCEEDING IT. THESE PRICES, IN PRACTICE, ARE NOT LIKELY TO BE MUCH LOWER THAN COMMUNITY GUIDELINE AND MINIMUM PRICES AND THEREFORE THERE WOULD BE LITTLE INCENTIVE FOR ALIGNMENT.

3. AS OF APRIL 1, 1978, THE COMMISSION WOULD ISSUE INDIVIDUAL REGULATIONS, BASED ON THE COUNCIL DECISION IN PRINCIPLE TO ELIMINATE ALIGNMENT, SUPPRESSING THE POSSIBILITY OF ALIGNMENT IN THE CASE OF THOSE COUNTRIES WHICH HAD REACHED AGREEMENT WITH THE EC ON A PRICE SYSTEM. IN OTHER WORDS, COUNTRIES WITH WHICH THE EC HAD REACHED A SATISFACTORY ARRANGEMENT WOULD BE GUARANTEED THAT EC PRODUCERS WOULD NOT ALIGN THEIR PRICES; OTHER COUNTRIES WOULD NOT. FURTHERMORE, IN DAVIGNON'S CONCEPTION, PRICE ALIGNMENT AFTER APRIL 1, 1978 WOULD BE CONFIDENTIAL

CONFIDENTIAL

PAGE 03 BRUSSE 19275 231717Z

KEPT IN RESERVE AS A THREAT AGAINST COUNTRIES WHICH HAD REACHED AGREEMENTS, I.E. THE COMMUNITY WOULD HAVE THE POSSIBILITY OF GIVING BACK TO ITS PRODUCERS THE RIGHT TO ALIGN PRICES SHOULD EXPORTERS NOT HONOR THE PRICE ARRANGEMENTS INTO WHICH THEY HAD ENTERED.

4. WE SHOULD ALSO NOTE THAT WHAT IS BEING CONTEMPLATED ARE CHANGES IN LEGAL RIGHTS TO ALIGN, SOMETHING DIFFERENT FROM ACTUAL PRACTICE IN THE MARKET. TO SOME DEGREE THE LEGAL POSITION IS STILL A MATTER OF DISPUTE WITHIN THE COMMISSION, WHERE THE COMPETITION DIRECTORATE GENERAL HAS LONG HAD A DIFFERENT APPROACH FROM DAVIGNON'S INDUSTRIAL POLICY DIRECTORATE GENERAL. HINTON

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: STEEL, STEELS, PRICES
Control Number: n/a
Copy: SINGLE
Sent Date: 23-Dec-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977BRUSSE19275
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770479-1251
Format: TEL
From: BRUSSELS USEEC
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19771223/aaaaaswc.tel
Line Count: 106
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: dac7cafd-c188-dd11-92da-001cc4696bcc
Office: ACTION STR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 77 BRUSSELS 19215
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 01-Dec-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 141510
Secure: OPEN
Status: NATIVE
Subject: EC ACTION ON STEEL: PRICE ALIGNMENT
TAGS: ETRD, EEC
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/dac7cafd-c188-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009